



Co-operative Federation of Victoria Ltd

Minute board meeting 10:25 a.m – 1:02 p.m. . 3 February 2011, Substitution Pty Ltd, 1/484 William Street, North Melbourne

PRESENT: Niel Black, Tony O'Shea (Chairman), Dianne Batterham David Dinning, Shirley Faram and David Griffiths (Secretary)

APOLOGY: No apology

1. Minute

The minute of the last meeting was emailed to directors on 23 November 2010.

That the minute of the meeting of 17 November 2010 be accepted as a true and accurate record.
CARRIED

2. Business arising from meeting of 17 November 2010:

2.1 CFNSW

It was noted that the Secretary had emailed the CFNSW Chairman, Tony Rogic, on 22 November 2010 seeking exploratory discussions on joint programs and sharing resources. This was copied to directors on 20 November 2010. The Chairman reported that he had several discussions with Tony Rogic about CV and CFNSW working closer together. It was noted that this could strengthen either Co-operatives Australia or a new peak body.

ACTION: Chairman

2.2 Co-operative Education

It was noted that the Co-operative Identity workshop was held 9:30 am and 4:30 p.m. 22 November 2010 at Heritage Hill Museum & Historic Gardens 66 McCrae Street Dandenong on 22 November 2010 with participants from CEHL, SEHC, and MECU.

It was also noted that Chris Cooper had also met with MECU, ABACUS Australian Mutuals, the Credit Union Foundation and the Macleay Regional Co-operative in Sydney. David Dinning will liaise with MECU on the ABACUS and Credit Union Foundation meetings.

ACTION: David Dinning

It was agreed to circulate to directors feedback information on the workshop.

ACTION: Secretary

It was also agreed to remain in contact with Tom Webb.

ACTION: Secretary

It was also noted that Mervyn Wilson was interested in visiting Australia to discuss co-operative schools in the UK. It was noted that COAG was discussing self-governing schools. It was agreed to circulate more information to directors as a basis for further discussion.

ACTION: Secretary

2.3 CAV

The Chairman reported that he was meeting with Alexander Secombe, Ministerial Advisor on Consumer Affairs to Mr. Michael O'Brien MLA, Minister for Consumer Affairs on 4 February 2011. The Chairman outlined a list of issues for discussion at the meeting:

1. Access to the list of registered co-ops for mailouts. We have a current list but we could only use it for the Social Business Australia mailout. if privacy protection has prevented us from accessing and using the list, how come it was used for this mailout by an organisation outside Victoria.
2. Support for the International Year of Co-operatives. We would like to see a State Committee established with Government and sector representatives (including co-ops, credit unions and mutuals) to discuss IYC 2012,
3. Annual grant. Before the Labor Government we used to negotiate with CAV for projects of common benefit for which there would be an allocation to CFV of up \$25,000 for projects. The Labor Government stopped this.
4. We have proposed to CAV that we be given access to the annual returns of co-ops so that we can create a profile of the co-op sector in Victoria. They agreed but this was on the basis that we paid \$thousands to access the annual returns - an amount of money we can't afford. Yet, the project is of mutual benefit which would generate information on the type and scale of co-operatives in Victoria..
5. Co-ops and CAV web site. Co-operatives are almost inaccessible on the CAV web site. It is obvious is it not that for information about co-ops you click on Business Names on the front page of the CAV site? Years ago we also asked if in the co-op pages of the CAV web site they would create a link to <http://www.victoria.coop>
6. Co-operative education program for co-ops and CAV staff.
7. Geelong co-ops. They appear to be on the list of registered co-ops.
8. Insolvency and co-ops.
9. Co-operative housing societies e.g the Breez comments.

ACTION: Chairman

2.4 Co-operatives Australia

There has been no Co-operatives Australia meeting since 14 October 2010. And that there was no current plan for a meeting.

ACTION: Secretary

2.5 Co-operatives National Law

It was noted that there had been a CA conference call with the National Co-operatives Working Party on 12 November 2010

It was also noted that the NSW Parliament was prorogued without passing the Co-operatives National Law but that the Ministerial Council had agreed to deal with the draft legislation prior to then, as an out-of-session issue. So, once the Bill is finalised early in the new year, it should receive a limited release.

Secretary will advise on any updates.

ACTION: Secretary

2.6 International Year of Co-operatives

It was noted that a National Call to Action information pack had been mailed to around 2500 co-operatives, credit unions and mutuals and that this had been the first national mail out.

The Secretary explained that it was a mail out that Co-operatives Australia was not able or willing to undertake itself. He pointed out that Social Business Australia had paid for the printing and postage costs. He said that SBA had established a secretariat to service a IYC Steering Committee – a task that Co-operatives Australia was unable and unwilling to undertake. He said that any responses to mail out from Tasmania and Victoria would be referred to Co-operatives Victoria.

ACTION: Secretary

A letter was sent to the 23 registered co-operatives in Tasmania on 11 January 2011. As of 03 February 2011 there had been three positive responses.

It was agreed that there should be follow-up action with the co-operatives that had not responded.

ACTION: Secretary and Shirley Faram

Following the national mail out by SBA, a letter on IYC was sent to 123 Victorian co-operatives calling for interest in a meeting to discuss IYC 2012. The mail out included the new CV brochure. The Secretary advised that there had been no response as of 03 February 2011. It was agreed that follow-up contact would be made with the following to establish interest in a meeting:

CEHL	SF
MECU	DD
HICO	TO
MG	TO

Genetics	NB
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ACTION: SF, TO, DD and NB

3. Financial Statements

The Treasurer presented the following financial statements

Profit and loss, 1 July 2010 to 02 February 2011
Balance Sheet 02 February 2011

That the financial reports be accepted. CARRIED

That CFV join MECU and place a term deposit of \$10,000 with MECU. CARRIED

4. Other Matters

4.1 Annual Subscription Notices

It was noted that Annual Subscription notices were mailed by 30 November 2010 and that to date the following had paid the 2010-2011 Annual Subscription:

MECU \$1500
Amalgamated Taxis Wodonga Co-op \$275
Avoca \$385
Northcote RHC \$275
Para Park Cooperative Game Reserve Ltd \$275
Ruach \$165
SEHC \$550
Urban Camp \$285

4.2 CFV Brochure

The report was noted.

4.3 Waverley Trading Co-operative.

It was noted that the co-operative had not yet been wound-up.

ACTION: Chairman

4.4 Co-operative Research Group, The University of Sydney

The Secretary's report was noted.

ACTION: Secretary

4.5 Web Site Updates

The Secretary's report was noted.

ACTION: Secretary

4.6 Residents of Retired Villages Association

The Secretary reported that he had discussion the co-operative option with the President of the Residents of Retired Villages Association, Mr. Arnold Paeglis.

ACTION: Secretary

4.7 Motorcycle Road Riders Co-operative

The Secretary reported that he had discussions on the co-operative option with two representatives from a proposed motorcycle road riders co-operative.

ACTION: Secretary

4.8 Warrnambool Cheese and Butter Factory

Niel Black said that the Warrnambool Cheese and Butter Factory's limit on shareholding size would expire soon and this would create an opportunity for Murray Goulburn which already had a 10% and for the farmer-owned Bega which had a 15% stake. He said that he hoped that Stock and Land would do a story on this co-operative opportunity.

ACTION: Niel Black

Attached story published in the Warrnambool Standard 17 January 2011.

4.9 New Director

David Dinning reported that Rowan Dowland was willing to join the board.

It was unanimously agreed to invite Rowan to join the board from the next meeting.

ACTION: David Dinning

5. Future Meetings

There was agreement on the following future schedule of meetings:

3 May 2011
5 July 2011 (DD is an apology)
6 September 2011
15 November 2011 (also AGM date)

Prepared by David Griffiths: 5 February 2011
Approved by Chairman: 5 February 2011
Emailed to directors: 5 February 2011
Snail mailed to directors: 8 February 2011

Clock ticking for Warrnambool Cheese & Butter

SUE MITCHELL, AUSTRALIAN FINANCIAL REVIEW

17 Jan, 2011 01:12 PM

THE clock is ticking loudly for Warrnambool Cheese & Butter Factory chief executive David Lord.

In five months, a 15 per cent shareholder cap that has protected Australia's oldest dairy processor from hostile takeover will end, exposing it to the full forces of change in the \$12 billion sector.

Warrnambool has already resisted four approaches in the past year - one from Canadian dairy company Saputo and three from Australia's largest milk processor, Murray Goulburn.

Mr Lord's job, as he sees it, is to deliver the earnings growth necessary to trigger a rerating in Warrnambool's share price, hopefully before the next bidder knocks on the door.

"In that environment (post the shareholder cap) anything is possible," he said.

"That's why I think the most important thing we can do for our shareholders, to position ourselves well in that freely-traded environment, is to improve our performance to the point where our share price reflects the true value of the business."

The looming deadline helps to explain why Warrnambool has moved swiftly to raise \$37 million in new capital and establish a strategic relationship with NSW-based Bega Cheese.

Bega paid \$22 million for a 15 per cent equity stake via a share placement and rights issue in November. It is now Warrnambool's largest shareholder, eclipsing the 10 per cent held by Murray Goulburn.

Warrnambool tried to raise capital last year to fund its cheese joint venture with National Foods but the plan backfired spectacularly.

When it cut farm gate milk prices in a bid to reduce costs, dairy farmers quit the former co-operative in droves, driving up costs and triggering the first loss in the processor's 122-year history.

Shareholder confidence sank to an all-time low, as did the share price. Analysts say Warrnambool would have struggled to raise new capital if not for the appointment of the well-regarded Mr Lord.

The 52-year-old joined last June, a year after stepping down as chief executive of rival processor Parmalat Australia, where he worked for 14 years in a range of roles from sales and marketing to general management.

"I think I've arrived at the right time for Warrnambool. I think I'm a man in the right place at the right time," said Mr Lord, who moved from Queensland to Victoria to take the job and now commutes between Melbourne and the coastal town.

He said plans for a capital raising and the search for a cornerstone shareholder were well under way before he arrived. "The business knew what it had to do - if I enabled that to move at a faster pace, then I'm pleased to have made that contribution," he said.

"Once I got on board there was a window of opportunity that allowed us to get it done very quickly and we set ourselves an internal target of completing the full capital raising by the end of the calendar year."

The funds will be used to reduce debt, cutting gearing from an unsustainably high 100 per cent to less than 40 per cent, giving the company the flexibility to carry out its expansion plans.

Mr Lord wants to double capacity in Warrnambool's consumer products division, which makes Sungold liquid milk, and increase capacity by 50 per cent at the Mil Lel cheese factory, where the company makes Warrnambool-branded vintage, matured and flavoured cheeses and produces cheese for customers such as National Foods.

"That gives us plenty of room to accommodate the supply agreements we have taken on board and the expansion we believe we can achieve with the Warrnambool brand," he said.

It will also invest in new technology at its milk powder plant to make higher-specification products and bigger margins.

"We see real opportunities internationally for our powder business and we're investing in new technology that will enable us to produce more complex high-specification powders for specific international customers.

"That allows us to move up the value chain and away from the commodity end of that marketplace," Mr Lord said.

He wants to diversify the company's earnings base and achieve a better balance between its divisions to protect it from the sharp swings in international and domestic prices that have played havoc with many processors' returns over the past few years.

Finding a cornerstone shareholder was a priority. Mr Lord said there were many interested parties but Bega fitted the bill.

"We are similar organisations, our activities overlap in very limited fashion, we have similar histories, we're culturally very similar - let's see how we work together on that."

Bega's 15 per cent stake will make it much harder for Murray Goulburn, Australia's largest milk processor, to achieve its takeover ambitions for Warrnambool.

Murray Goulburn was prepared to offer as much as \$4.50 a share for Warrnambool - 35 per cent more than the current share price and 55 per cent more than Bega paid for its stake.

However, the Warrnambool board rejected Murray Goulburn's repeated advances, saying the offers failed to recognise the value of its longer-term prospects or strategic position and did not fairly share the benefits of a merger.

"The board resisted the Murray Goulburn approach not because there's any sort of acrimonious relationship there but because the board rightly felt the approach was opportunistic," Mr Lord said. "This business had just come off the worst financial performance in its history."

The Australian Competition and Consumer Commission has also raised concerns about the impact of a merger on milk prices and supplies.

Lord believes rationalisation in the dairy sector is inevitable but he's unsure what form it will take. "For Warrnambool, our priority is to improve our performance so that, if there are consolidation opportunities, we're in a position to participate if these opportunities are in our shareholders' interests."

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